

FISCAL NOTE

Bill #: HB0071

Title: Revise school budget law – limit enrollment decrease to 4%

Primary

Sponsor: Sam Rose

Status: Third Reading

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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Fiscal Summary

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
Net Impact on General Fund Balance:	0	0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. The proposal does not effect the BASE budget, it only applies to the over-maximum area of a school district's budget. The state does not participate in the funding of school district general fund budgets in the over-BASE area.
2. There is no fiscal impact to the State from this proposal.
3. This legislation affects the requirements for voting for adoption of school general fund.

FISCAL IMPACT:

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Net Impact to fund balance (Revenue minus Expenditure)</u>		
General Fund (01)	0	0

(continued)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES:

This bill affects school district budgets in three ways: (1) districts which were previously frozen because their budgets exceeded the maximum will be required to reduce budgets 4% per year until they reach the maximum; (2) districts which currently must reduce budgets due to enrollment declines which would push them over their maximum budget will not have to reduce budgets more than 4% per year, and; (3) the voting requirement is shifted to increases in taxes from the current increase in budget.

Section 1 impacts:

This bill limits to 4% the reduction in budget for districts who would exceed their maximum budget due to an enrollment decline. Currently districts who are spending at or below their maximum must reduce their budgets to the maximum if enrollments decline. The affected districts will be able to spend at a higher level than under current law and district taxes will be higher than they would be under current law. In school year 1999 52 districts would have qualified to spend an additional \$.57 million.

For districts whose budgets have been frozen because they exceeded their maximum budget when the current funding system was enacted in 1993 this bill will require 4% per year reductions. In school year 1999 32 districts would have been affected and budget reductions would have totaled \$1.0 million. For these districts district taxes will be lower than they would be under current law.

Section 2 impacts:

In Section 2, this bill replaces the requirement that any increase in budget or budget per ANB be voted with a requirement that any increase in taxes be voted. When enrollments are declining, as is generally the current situation in Montana, the bill allows districts who would have had to reduce their budgets unless approved by the voters to maintain their prior year budgets without a vote. When taxable valuations are rising, as is also generally the current situation in Montana, the bill allows school districts larger general fund budget increases without a vote than would be the case under current law. To the extent that district trustees approve these budgets when voters may not have, district spending and taxes will be higher than they would be under current law. Section 2 is void if CI-75 is declared invalid.